GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:99
ANSWERED ON:17.08.2007
PURCHASE OF SHARES OF PUBLIC SECTOR BANKS BY FIIs
Ponnuswamy Shri Mohan

Will the Minister of FINANCE be pleased to state:

(a) whether Foreign Institutional Investors are likely to be permitted to purchase the shares of the Nationalised Banks in the share market under the proposed scheme for sale of shares of the nationalised banks;

(b) if so, the details thereof alongwith the reasons therefor; and

(c) the likely impact of this measure on banking operations and on the Indian economy?

Answer

FINANCE MINISTER (SHRI P. CHIDAMBARAM)

(a) to (c) : A statement is laid on the Table of the House.

STATEMENT FOR LOK SABHA STARRED QUESTION NO.99 FOR 17 AUGUST 2007 REGARDING PURCHASE OF SHARES OF PUBLIC SECTOR BANKS BY FIIs TABLED BY SHRI P. MOHAN

(a) to (c) : Section 3 (2D) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/80 permits non-residents including individuals, Foreign Institutional Investors (FIIs), and other corporates to hold or acquire shares of any nationalised bank, in aggregate not exceeding 20% of the paid up capital of the concerned bank. RBI guidelines, however, restrict individual FII holding in any bank to 10% of the paid up capital of that bank. There is no proposal to amend these statutory provisions.